

MS DAILY BRIEF - 27 August 2022

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Soviet history offers clues to China's naval strategy in the Indian Ocean

A recent study published by the US Army War College examines how geography constrained Soviet military presence in the Indian Ocean and the lessons that can be drawn for China's efforts to become an Indian Ocean power.

Geography has a big impact on the strategic dynamics of the Indian Ocean. It is largely enclosed on three sides with few maritime entry points. The Himalayas also cut off much of the Eurasian hinterland from access to the sea. This makes access difficult for armies.

The semi-enclosed geography of the Indian Ocean creates a first problem for naval powers controlling maritime choke points and the limited number of deep sea ports for essential logistical support.

There are similar constraints in the design of air power. Aircraft can only access Indian Ocean airspace from, say, Chinese territory by flying over other countries. In the region, the large size of the Indian Ocean makes it essential to have a network of local airfields for organisation and support.

In the Cold War, the Soviets struggled to overcome these constraints. The Soviet Union had no direct access to the Indian Ocean by sea or air and few reliable regional partners. Its navy had to deploy to the Indian Ocean largely from the Pacific, transiting straits through Southeast Asia where ships were subject to interdiction and pursuit. This had a significant impact on Soviet naval presence. The lengthy transit from Vladivostok to the

Arabian Gulf meant that keeping a ship in the area required ships to spend about a third of their time in transit. The long distances also limited the deployment of smaller ships.

Logistical requirements meant that the majority of Soviet ships deployed were support and other auxiliary vessels. There were strong imperatives to obtain local bases. The Soviet Navy developed several facilities around the Horn of Africa and, where shore support was not available, relied on floating bases in international waters. The search for bases was pursued opportunistically and often meant relying on politically unstable partners. Access was far from guaranteed and they were evacuated from several bases. Although Soviet ships often outnumbered those of the US Navy in the Indian Ocean, the Soviet Navy did not achieve significant or lasting naval superiority in the region. The naval balance in favour of the Soviets was quickly reversed in times of crisis.

The composition of the Soviet fleet also differed considerably from that of the US, with a large number of auxiliary ships, including intelligence and research vessels.

The Soviet air presence developed a few years late. Operational access was also geographically limited. Flying distances in the region were long, and aircraft operating from Soviet territory had to fly over other countries. This created a premium for access to local air bases.

The geographical constraints faced by China in the Indian Ocean mirror those faced by the Soviet Union. For China, the Indian Ocean is of secondary importance to the Pacific. But Beijing still has several imperatives or strategic missions in the Indian Ocean, starting with the protection of its crucial ocean power lines. But other missions are equally important in influencing the composition, size and locations of China's military presence. These include protecting Chinese citizens and investments, strengthening soft-power influence, countering terrorism, intelligence gathering, supporting coercive diplomacy towards small countries, and facilitating operations in a conflict environment.

The People's Liberation Army must be able to respond to a range of contingencies. The PLA Navy has a leading role in the PLA presence in the Indian Ocean, reflecting the imperatives of protecting supply lines and the political advantages of a relatively transient naval footprint. The size and composition of Chinese naval deployments in the Indian Ocean have evolved. They now include an anti-piracy task force, hydrographic and intelligence-gathering vessels and submarines. But while the presence has grown, China has so far been relatively progressive in its approach. The PLA Navy's presence is likely to resemble that of the US Navy if Beijing wants to protect its entire Indian Ocean supply line. This would be a major undertaking, requiring the sustained deployment of large numbers of ships, including aircraft carriers and submarines, as well as land-based aircraft. More naval and air bases would be needed in the region.

But Beijing may find protecting supply lines against the US and India impractical. It may choose to focus on the Pacific while pursuing limited targets in the Indian Ocean. The PLA Navy's presence in the Indian Ocean over the past decade has largely focused on anti-piracy, intelligence and naval diplomacy. These will likely continue to be a major focus and could evolve to include limited, coercive diplomacy (e.g., fishing rights disputes), as has been the case elsewhere. PLA Navy assets could be supplemented by vessels from other maritime agencies.

China could also develop additional capabilities to create local superiority; respond to limited remote interdiction; provide support for local interventions; or undertake limited maritime denial operations.

All of these missions would be broadly analogous to the Soviet Union's strategy in the Indian Ocean. They could provide response options to certain contingencies at a fraction of the cost of a full sea control strategy.

As with the Soviets, constraints on Chinese access create imperatives for local support facilities. But the nature and extent of China's basic requirements would also depend on its overall strategy. Many needs could be met by relying on a "places not bases" approach to the use of trade facilities, while minimising the need for dedicated bases. But any significant and sustained Chinese naval presence in the Indian Ocean would likely require dedicated support facilities comparable to traditional bases. China's approach to securing local facilities is far more deliberate and comprehensive than the Soviet approach. China may be trying to build what some analysts call strategic strongholds as part of a network of supply, logistics and intelligence hubs in the Indian Ocean. But whether this would provide assured access to wartime support facilities is uncertain. Despite many "feelers" for facilities in the Indian Ocean region, no potential host country has offered permanent facilities to the PLA Navy (except Djibouti). Indeed, several potential hosts have rejected development of the proposed ports.

The port at Gwadar, Pakistan, is often identified as the most likely location for another Chinese naval base in the northwest Indian Ocean (although it has not been used by the PLA). But any comprehensive Chinese naval presence would likely also require assured access to facilities in the southwestern, central and eastern Indian Ocean. China also needs to develop its regional air power capabilities. Support for sustained naval operations would require substantial air power, including maritime surveillance and attack aircraft. But the PLA Air Force does not have assured access to the Indian Ocean airfield, although it could use the new 3,400-metre airfield at Dara Sakor, Cambodia. China's lack of air capabilities in the Indian Ocean puts it at a major tactical disadvantage. This could become a bottleneck that limits the PLA's strategic power projection. A clear lesson from the Cold War is that securing local bases can be costly and uncertain. China's relations with Pakistan and Sri Lanka demonstrate how much Beijing has to spend, even without assured access. Like the Soviet Union, China may find that relations with some countries - especially corrupt and autocratic regimes - are less reliable. The Soviet experience also suggests that the size and composition of the PLA in the Indian Ocean will be primarily a function of China's unique interests in the region. We should not assume that China's future military presence and security relations will necessarily resemble those of the US.

Source: <https://www.maritime-executive.com/editorials/soviet-history-offers-clues-to-china-s-naval-strategy-in-indian-ocean>

Sister ship to sunken Russian cruiser Moskva departs Mediterranean, US destroyers follow

The sister ship of the Russian guided-missile cruiser sunk by the Ukrainian Navy has left its position in the Mediterranean Sea after six months, USNI News reported. RTS Marshal Ustinov (055), sister ship of the former RTS Moskva (121), passed through the Strait of Gibraltar on Thursday after operating in the Mediterranean since early February, according to ship observers. Shortly after crossing into the Atlantic, two US guided-missile destroyers assigned to the Harry S. Truman Carrier Strike Group, USS Cole (DDG-67) and USS Bainbridge (DDG-96), followed the Russian cruiser two hours after it passed the Gibraltar Strait, according to photos released by ship observers. The cruiser was one of Russia's main naval assets in the region and reduces Moscow's presence closer to Ukraine. The Ustinov, along with the Russian Navy's two other Slava-class cruisers - the sunken Moskva and the RTS Varyag (011) - were taken out of their home ports earlier this year along with the Russian ground invasion of Ukraine. The Ustinov, part of the Russian Navy's Northern Fleet, entered the Mediterranean in early February as head of a surface task group and stationed off

the southern coast of Crete, while the Pacific-based Varyag operated closer to Syria and the Russian logistics base in Tartus, USNI News reported at the time.

The deployments were conducted in parallel with NATO and US presence operations centered on the USS Harry S. Truman (CVN-75), its escorts and embarked air wing. Truman has been in the Mediterranean since December and her air wing has flown up to 90 sorties per day. Designed in the 1970s to fight American carriers with 16 telephone pole-sized SS-N-12 Sandbox anti-ship cruise missiles, the Slava-class ships endured as part of the Russian fleet after the end of the Cold War. Two Ukrainian Neptune anti-ship guided missiles attacked and sank Moscow in April. USNI News reported in May that the cruiser probably sank because its defense radars were not operational. While the US has an extensive logistical footprint in the region, resupplying and refueling Russia has been more difficult, according to USNI News contributor H I Sutton. USS COLE DDG67 and USS BAINBRIDGE DDG96 are heading west through the Strait of Gibraltar this afternoon

"The Russian Navy has no significant maintenance facilities in the Mediterranean. We can speculate that crew fatigue from longer periods of increased training may be a factor," he wrote in their departure. Sutton published satellite photos showing Ustinov refueling Tuesday before his departure from the region. Meanwhile, the George H.W. Bush Carrier Strike Group has joined the U.S. 6th Fleet. The USS George H.W. Bush (CVN-77) departed Naval Station Norfolk, Virginia, on Aug. 10 and is expected to relieve the Truman in the coming days.

Source : <https://news.usni.org/2022/08/24/sister-ship-of-sunken-russian-cruiser-moskva-departs-mediterranean-u-s-destroyers-follow-behind>

Russian contingent in Syria deactivated frigate to avoid war in Ukraine

The Russian military in Syria has staged a sabotage on the frigate "Admiral of the Fleet Kasatonov" to keep it out of the war in Ukraine. This was reported to Guildhall by a Ukrainian intelligence source. On the frigate, which is now in Syrian Tartus, the military damaged equipment on board. Two diesel generators have failed. This is not the first failure on the ship. According to reports, the Russian contingent is trying every possible way to solve the problem of extending its stay abroad in order not to end up on the Ukrainian front, even resorting to sabotage. Previously, counter-intelligence security forces of the Russian Federal Security Service refused to go to the occupied territories of Ukraine, despite significant financial motivation. It has also been reported that the ethnic Buryatians, whom Russia was the first to throw into battle, no longer want to fight in Ukraine. People are outraged that Russia "has no mercy on them" and does not want them to be occupiers.

Comment: the information is presented more as a propaganda interpretation. During the Russian invasion of Ukraine in 2022, the ship was denied access to the Black Sea after Turkey closed the Turkish Strait to Russian warships. The ship is permanently based in the Northern Fleet port of Severomorsk and is therefore subject to restrictions on entry into the Black Sea. The frigate remained deployed with other Russian naval assets in the Mediterranean.

Source: <https://www.blackseanews.net/read/193587>

George H.W. Bush Carrier Strike Group (GHWBCSG) transited the Strait of Gibraltar

The George H.W. Bush Carrier Strike Group (GHWBCSG) transited the Strait of Gibraltar and entered the Mediterranean Sea as part of a regularly scheduled deployment to the U.S. Naval Forces Europe-Africa (NAVEUR-NAVAF) area of operations, Aug. 25, 2022.

Source: <https://www.navalnews.com/naval-news/2022/08/aircraft-carrier-uss-george-h-w-bush-transits-strait-of-gibraltar/>

NATO conducts historic munitions disposal operations off the French coast

Over the past week, a NATO operation cleared historic munitions from the English Channel off the French coast. As well as making the channel a safer place, NATO's Standing Mine Countermeasures Group 1 gained the benefit of training and working with colleagues from several nations. The team led munitions disposal operations off the coast of Dieppe, France, from 16 to 24 August. They reported that the operation successfully removed 13 historic munitions, reducing the risk of mine encounters in the water and making the area safer for all mariners.

According to a NATO press office, during the Second World War, the English Channel was an area of numerous naval mine-laying operations and coastal defence works. Many of these reported historical munitions remain in the area and may pose a risk to the environment and military, commercial and recreational activities.

The exercise was led by the flagship FGS Mosel from Germany, together with HMCS Kingston and HMCS Summerside from Canada, LNS Kursis from Lithuania, HMS Hurworth from the UK and FS L'Aigle from France. Also included in the operation were members of the U.S. Navy Mobile Explosive Ordnance Disposal Unit 8 of Explosive Ordnance Disposal Group 2 deployed aboard Mosel. "In addition to La Manche (English Channel) being a safer place from historical munitions, SNMCMG1 gained the benefit of training and knowledge from historical French ordnance disposal operations," said Estonian Navy Commander Ott Laanemets, commander of SNMCMG1. "When our teams work together and we can share and learn from our combined resources, it improves all of our skills and makes future operations, such as ordnance disposal, safer and more effective."

The operation began with a conference at sea, where representatives from the French Navy coordinated with SNMCMG1 to establish roles and responsibilities in the area of operations. The diverse composition of SNMCMG1 provided the group with a wide range of technical capabilities to locate, identify and destroy historical munitions. The diversity of methods and equipment used also allowed planners to combine and test multiple combinations to ensure that munitions approaches were the safest and most effective. SNMCMG1 is one of four standing naval forces operating under NATO's Allied Maritime Command, based in Northwood, UK.

Source: <https://www.maritime-executive.com/article/nato-conducts-historical-ordnance-disposal-operations-off-french-coast>

A Russian agent spied for years at the Joint Allied Command base in Naples where the US 6th Fleet also operates

A female Russian intelligence agent managed to infiltrate the NATO base in Naples, where she spied for years, write several publications in Friday's editions picked up by EFE, including *La Repubblica* and *Der Spiegel*, according to Agerpres. It all came to light following a journalistic investigation that lasted almost a year.

The investigation, to which Bellingcat and The Insider also contributed, describes the Russian spy as a "cosmopolitan and self-confident woman in her 30s, who speaks six languages" and has managed to penetrate the circle of personalities in the Italian city of Naples, NATO base personnel and the US 6th Fleet.

Her fabricated identity was María Adela Kuhfeldt Rivera, born in Peru to a German father, but her real identity was Olga Kolobova, daughter of a Russian colonel.

The Russian passport with which she entered Italy belonged to "the same series used by GRU spies", the Russian military secret service, and she used three Russian passports during her stay in Italy, La Republica reports.

The trail of the spy was lost when Bellingcat and The Insider published in September 2018 the names of the spies who tried to poison former Russian agent Sergei Skripal and Bulgarian arms manufacturer Emil Gebrev, with the Russian then leaving Naples for Moscow unaccounted for.

The authors of the journalistic investigation also say they could not determine what information she was able to obtain, nor whether she was able to implant computer viruses in the phones and computers of friends she had made while on assignment in Italy, but, the same journalists say, it is known that she "came into contact with key NATO and US Navy figures".

Source: https://www.defenseromania.ro/un-agent-rus-a-spionat-ani-la-rand-in-baza-comandamentului-aliat-intrunit-de-la-napoli-unde-activeaza-si-flota-a-6-a-a-sua_617893.html

Chinese navy begins clearing imaginary Taiwan Strait median line

For nearly 70 years, an imaginary line running across the Taiwan Strait between Taiwan and China has helped keep the peace, but the so-called median line seems increasingly meaningless as China's modernised navy asserts its power. China has never officially recognised the line that an American general devised in 1954 at the height of Cold War hostilities between Communist China and US-backed Taiwan, although the People's Liberation Army has largely respected it. Now Taiwan is preparing for China's much larger navy warships that routinely cross the line as part of steps Beijing angrily took to protest US House Speaker Nancy Pelosi's visit to Taipei three weeks ago. "They want to increase pressure on us, with the ultimate goal of giving up the median line," said a Taiwanese official familiar with security planning in the region. "They want to make it a fact," said the official, who declined to be identified given the sensitivity of the issue. Some Taiwanese officials say it would be "impossible" for the island to abandon the buffer concept that the line represents. Foreign Minister Joseph Wu told a news conference this month that a change in the status quo cannot be tolerated. "We need to join hands with like-minded partners to ensure that the median line is still there to protect peace and stability in the Taiwan Strait," Wu said. Other officials and security analysts warn that it would be difficult for the island to defend the line without increasing the risk of a dangerous escalation.

POWER PROJECTION

Taiwan would have to respond militarily if Chinese forces were to intrude on its 12 nautical miles of territorial waters, the Taiwan official said, but beyond that, there is no immediate plan to give the military or coast guard more authority to respond. President Tsai Ing-wen has repeatedly said Taiwan will neither provoke nor escalate the conflict. It is doubtful whether international support for Taiwan is enough to deter China from patrolling the Taiwan side of one of the world's busiest sea lanes, or whether Taiwan's friends would help it hold the line.

US and other Western navies sail through the straits to highlight what they claim is its international status, not to strictly enforce the imaginary line that has no legal status. The Taiwan Strait is about 180 km (110 miles) wide and, at its narrowest, the median line is about 40 km (25 miles) from Taiwan's waters. A Chinese naval presence established near Taiwan's territorial waters would stretch Taiwan's military and make any Chinese blockade or invasion much easier, Taiwanese officials warn. Finally, a redundant median line would also bring an additional challenge to long-standing US dominance of China's near seas - the so-called first island chain - and help China project its power into the Pacific. The median line has no defining features. For years, China tacitly acknowledged it, but in 2020 a foreign ministry

spokesman said it "did not exist". This was echoed by the Ministry of Defense and the Taiwan Affairs Council. In recent days, frigates and destroyers on both sides have been playing cat-and-mouse, with Chinese ships trying to maneuver around Taiwanese patrols to cross the line. Chinese fighter jets have also been crossing this month, though only passing a little, something the Chinese air force has rarely done in the past. China's Defense Ministry did not respond to requests for comment.

"POLITICAL ARTIFACT"

Chieh Chung, a security analyst at the National Policy Foundation in Taipei, said the "reversal" of the midline consensus increased the risk of an accidental conflict. Chieh said the hiring codes for Taiwan's coast guard and military should be revised to give them more authority and legal protection in reacting to increasingly complex challenges from Chinese forces. Within weeks, US warships are expected to sail through the Taiwan Strait, underscoring what they see as its status as an international waterway, much to the inevitable annoyance of China, which claims sovereignty and other rights over the strait.

But the U.S. ships are not expected to challenge Chinese vessels on either side of the median line.

Three U.S. officials, speaking on the condition of anonymity, said that Chinese crossings of the median line had little tactical importance.

"It's an imaginary line that's symbolic and it's about poking Taiwan in the eye a bit," one of the officials told Reuters.

The United States saw little need to uphold the status of the line or push back against China's moves across it, they said.

Christopher Twomey, a scholar at the U.S. Naval Postgraduate School in California, said he believed the U.S. Navy viewed the line as a "political artifact" rather than a legal one.

Speaking in a private capacity, Twomey said the dangers should not be overstated and the recognition and use of the strait as an international waterway would continue. He described Chinese activities as "political statements".

"Mere Chinese presence on either side of arbitrary lines within that area is not likely to lead to any operational response," Twomey said.

But he does not expect US ships to challenge Chinese vessels on either side of the median line. Three US officials, speaking on condition of anonymity, said Chinese crossings of the median line are of little tactical importance. "It's an imaginary line that's symbolic and it's about pushing Taiwan in the eye a little bit," one of the officials told Reuters. The United States saw little need to uphold the status of the line or push back China's moves across it, they said. Christopher Twomey, a scholar at the U.S. Naval Postgraduate School in California, said he believed the U.S. Navy saw the line as a "political artifact" rather than a legal one. Speaking privately, Twomey said the dangers should not be exaggerated and that recognition and use of the strait as an international waterway would continue. He described the Chinese activities as "political statements". "The mere Chinese presence on either side of arbitrary lines in that area is not likely to lead to any operational response," Twomey said.

Source: <https://www.reuters.com/world/asia-pacific/chinas-navy-begins-erase-imaginary-taiwan-strait-median-line-2022-08-25/>

Russian oil tanker crashes into boat with people off Turkey's coast

On Thursday evening, 25 August, off the coast of Turkey, the Russian-flagged oil tanker Karakuz, sailing to Greece, and a two-person light motorboat collided. This is reported by European Truth with reference to Sabah. The incident took place around 9pm local time, opposite the Dardanelles Strait, which connects the Marmara and Aegean Seas. In heavy rain, a 140-metre long tanker crashed into a boat with two people on board. The captain of the

tanker reported the incident to the Turkish Coast Guard, which sent a tugboat and a lifeboat to the scene. No one was injured in the incident, but the boat was damaged. It is seen being towed to the Turkish peninsula of Gallipoli.

Source: <https://www.blackseanews.net/read/193560>

Since the beginning of August, more than 460,000 tonnes of grain have been transported to ports by rail

From 1 August to 23 August 2022, Ukrzaliznytsia transported 1.16 million tonnes of grain cargoes on the export link, compared to 917 thousand tonnes for the whole of July. This was announced by Deputy Director of the Commercial Work Department of "Ukrzaliznytsia" Valery Tkachev at an online meeting with representatives of the agricultural market on Thursday, August 25, reports Porta Ukrainy. Including, 549 thousand tons were transported through land border crossing points at the western border compared to 716 thousand tons in July, 467 thousand tons were transported to ports compared to 190 thousand tons in July.

In March we had 41.6 thousand tonnes for export, in July - 917 thousand tonnes, in 23 days of August we already have 1.16 million tonnes. Greetings to all, I already see that we are gradually increasing the volume of transport, but this is not enough. Let me remind you that before the war we were transporting up to 4 million tons in export traffic per month," Tkachev said. According to him, the positive dynamics was ensured primarily by the opening of the grain sea corridor from the ports of Odessa Mari.

In the 23 days of August, Ukrzaliznytsia loaded 1.16 million tons of grain cargoes in railcars, or 17% of the total loaded volume, which is almost 7 million tons. In January-July 2022, Ukrzaliznytsia has reduced cargo shipments by 32% compared to the same period last year, to 95.3 million tonnes.

In July 2022, freight transport increased by 9.2% compared to June, to 10.302 million tonnes. In 2021, Ukrzaliznytsia increased freight transport by 3% compared to 2020, to 314.6 million tonnes.

Source: <https://www.blackseanews.net/read/193547>

Entrepreneur may sell strategic Pacific islands to Chinese interests

A private Australian businessman is preparing to sell Chinese interests a chain of 21 coral atolls located about 500 Mm northeast of Cairns, Australia. Ian Gowrie-Smith, a retired entrepreneur who has had a hand in the oil, gas, mining and pharmaceutical businesses over the decades, is the owner of the Conflict Islands in Papua New Guinea. Situated between the Solomon Sea and Coral Sea, the small island chain is home to 30 permanent residents, a turtle conservation program, a small resort and enough land for a strategic 3,000-metre runway. Gowrie-Smith confirmed to Australia's 9 Now that his agents are in conversation with Chinese buyers about a potential sale. The price under discussion is about \$25 million and he has offered to negotiate with the Australian government about the discounted sale, given the potential national security implications of a Chinese facility near Australia's northwest sea lanes. Australian politicians have recently expressed serious concerns about China's new security agreement with the Solomon Islands government, which could include basic arrangements for Chinese security forces. The Conflict Islands are even closer, by about 300 nm, and Gowrie-Smith expressed curiosity as to why the Australian government was not interested in striking a deal that would put the islands in Australian hands. Any Chinese presence in the Conflict Islands would be subject to the Papua New Guinea government; China is New Guinea's largest customer for natural resource exports, and the two nations have

recently entered into talks about a free trade agreement. China has a history of building island military bases on coral atolls in the South China Sea, constructing them first as civilian facilities before deploying air defence systems and anti-ship missiles. The PLA Navy is also believed to be pursuing a basing agreement at Ream Naval Base in Cambodia, once the site of US military aid investment. Beijing's ambitions also extend to strategic islands in the South Pacific: in June, Chinese Foreign Minister Wang Yi conducted a grand tour of the Solomon Islands, Fiji, Kiribati, Samoa, Tonga, Vanuatu, Papua New Guinea and Timor-Leste to make joint efforts. "marine space plan". If accepted, the plan would have given China a greater role in regional maritime affairs - but it was rejected.

Source: <https://www.maritime-executive.com/article/entrepreneur-may-sell-strategic-pacific-islands-to-chinese-interests>

Baltic Dry Index falls sharply as Capesize rates drop 30%

The Baltic Dry Exchange's main shipping index, .BADI, saw its worst fall in three months on Thursday, weighed down by weaker demand for coal and iron ore commodities as steel production fell in China. * The overall index, which takes into account rates for capesize, panamax and supramax shipping vessels, fell 90 points, or about 7.4%, to 1,123 points, a new low since Dec. 9, 2020. * "The current uncertainties in the global economy, coupled with much higher commodity prices, especially for coal, are not doing the market any favors," said Niels Rasmussen, chief shipping analyst at BIMCO. *"This would be a pretty strong additional indicator that the outlook for the global economy over the next month or two is at least not up," he added. * The .BACI Capesize Index fell 206 points, or about 30.3%, to 474 points, hitting a low since early June 2020. * Average daily earnings for capesize, which typically carry 150,000-tonne cargoes such as iron ore and coal, fell \$1,705 to \$3,931. * Crude steel production in China, the world's largest producer and consumer of the metal, fell 6.4% to 81.4 million tonnes in July, data from the World Steel Association showed Tuesday. * "It's going to take some movement, more than likely in China, to really stimulate demand to come in and see some strong improvements for the rest of the year," Rasmussen added. * The panamax index continued its month-long losses, falling 67 points, or 4.5%, to 1,424 points. * The average daily gain for panamaxes, which typically carry coal or grain cargoes of about 60,000 to 70,000 tons, fell to \$12,816 from \$606. * The supramax index broke its nine-session winning streak, falling 10 points to 1,763.

Source: <https://gcaptain.com/baltic-dry-index-falls-sharply-as-capesize-rates-plunge-30/>

Industrial capacity - biggest barrier to fleet growth

The biggest obstacle to adding more ships to the Navy is the capacity of the industrial base, Chief of Naval Operations Adm. Mike Gilday.

The senior service official said shipbuilders need indicators from the service before they can make the investments needed to build, say, three destroyers a year. "We have limited industrial capacity. In other words, we can only get so many ships off the production line per year. My goal would be to optimize those production lines for destroyers, for frigates, for amphibious ships, for light amphibious ships, for supply ships," Gilday said at a Heritage Foundation event. "We need to give a signal to the industry that we need to get to three destroyers a year instead of 1.5, that we need to maintain two submarines a year. Part of it is up to us to give them a clear set of - a clear target point so they can plan for a workforce and an infrastructure that will be able to meet the demand. But again, no industry is going to make that kind of investment unless we give them a greater degree of confidence." Asked by USNI

News after the event if the reason the Navy isn't ready to send that signal to the industry is because of funding, Gilday said, "It depends on the class of ships. Sometimes it's affordability. Sometimes it's industrial capacity."

Source: <https://news.usni.org/2022/08/25/cno-gilday-industrial-capacity-largest-barrier-to-growing-the-fleet>

JERA signs agreement with new operator of Russia's Sakhalin-2 to retain LNG contract

Japan's largest power generator JERA (JERA is a 50-50 joint venture between TEPCO Fuel & Power, a wholly-owned subsidiary of Tokyo Electric Power Company, and Chubu Electric Power, founded in April 2015) signed an agreement Thursday with the new operator of Russia's Sakhalin-2 power project to retain its long-term liquefied natural gas (LNG) purchase contract, a spokesman for the Japanese company said Friday. The main conditions such as volume, price and currency of payment remained the same as in the previous contract, he told Reuters.

Source: <https://www.reuters.com/business/energy/jera-signs-deal-with-new-operator-russias-sakhalin-2-keep-lng-contract-2022-08-26/>

Shipping container suppliers walk away from \$987 million deal after US probe

Global shipping container suppliers China International Marine Containers and Maersk Container Industry, in a joint statement on Thursday, said they abandoned plans to merge, citing significant regulatory challenges.

China International Marine Containers (CIMC) agreed in September to buy Danish shipping company AP Moeller - maker of reefer containers Maersk for \$987.3 million. The US Justice Department said the deal would have combined two of the world's four largest reefer container suppliers and further concentrated the global reefer supply chain.

The Justice Department said it "would also have consolidated control over more than 90% of the world's insulated and reefer container production in Chinese state-owned or controlled entities."

Assistant Attorney General Jonathan Kanter, who heads the Justice Department's antitrust division, said the acquisition could have led to "higher prices, lower quality and less resilience in global supply chains" and "would have cemented CIMC's dominant position in an already consolidated industry and eliminated MCI as an innovative, independent competitor." Germany's Federal Cartel Office said in December that it had also opened an investigation into the effects CIMC's takeover of Maersk Container Industry (MCI) could have on the markets.

Maersk said it was "unhappy" that the deal would not go ahead, adding that it "will now assess the best structural configuration to ensure the long-term development of the business". Founded by Maersk in 1991, MCI employs 2,300 people in China and Denmark.

Source: <https://www.marinelink.com/news/shipping-container-suppliers-abandon-499026>

and <https://gcaptain.com/dept-of-justice-antitrust-investigation-sinks-maersks-reefer-business-sale-to-chinas-cimc/>

Indonesian fishing boat captain shot dead in Papua New Guinea waters

An Indonesian fisherman has been shot dead in the Exclusive Economic Zone (EEZ) of Papua New Guinea (PNG). According to news sources, some members associated with the

Papua New Guinea Defence Force (PNGDF) carried out the shooting that killed the victim on Monday 22 August.

According to media reports, an Indonesian-flagged fishing vessel named KMN Calvin 02 was approached in PNG territorial waters by a PNGDF patrol boat, which allegedly opened fire, taking the life of one.

Although the sequence of events remains unclear so far, Indonesian media reports initially stated that an Australian-based warship had opened fire. However, the Australian government has denied this.

A crew member of the Indonesian fishing boat, who spoke to KabarPaupa.com, said that unless he was mistaken, the PNGDF warship had a hull number, 401, which corresponds to HMPNGS Ted Diro.

The latter is the first Guardian-class patrol boat delivered by Australia to the PNG. Australia has committed to supplying the PNGDF with four Guardian-class vessels which it intends to equip with unspecified weapons.

Sources have further confirmed that, at this time, work on arming the Guardian-class vessels in PNG has not yet begun.

Efforts to track KMN Calvin 02 and Ted Diro through open-source means, including AIS data, have not been successful. However, photos released by the U.S. Coast Guard (USCG) show that two of the three Guardian-class patrol vessels were in port at Manus Naval Base when USCGC Oliver Henry arrived on August 14.

Given that the Guardian-class patrol boats in the PNG are not yet armed with large caliber weapons, it seems likely that the shooting was carried out by PNGDF officers who were empowered with small arms.

Overt Defense has attempted to contact the Australian Department of Defence and the PNG government for comment. However, they did not respond with answers to questions prior to publication.

Illegal fishing by Indonesian fishermen has exploded in PNG's EEZ and Australia with the onset of the COVID-19 pandemic. In 2021, several Indonesian fishing boats were also burned off the coast of Australia, leading to a diplomatic incident.

On August 24, a Defense spokesperson reported to Open Defense that the Department of Defense is aware of media reports published this week about the death of an Indonesian fisherman off the southern coast of New Guinea. Australian personnel and vessels were not involved in the incident.

Source: <https://www.marineinsight.com/shipping-news/indonesian-fishing-boats-captain-dead-from-gunshot-in-the-waters-of-papua-new-guinea/>

Indian Ocean high-risk designation to be withdrawn in late 2022

Reflecting further progress in reducing the piracy threat off the east coast of Africa and in the Indian Ocean, the shipping industry plans to formally end the "High Risk Area" designation, starting earlier this year.

While it remains a level of risk, they point out that there have been no attacks in nearly four years, with the last reports emerging in 2019 that pirates were scared off by EU forces after threatening a ship near the Horn of Africa.

The formal notification of the plan to end the designation was sent to the International Maritime Organization today, 22 August, for review and approval at the next meeting of the Maritime Safety Committee, scheduled to begin on 31 October 2022. The decision to end the designation was made by the International Chamber of Shipping, BIMCO, the International Marine Contractors Association, INTERCARGO, INTERTANKO and the Oil Companies International Marine Forum.

"This announcement is a testament to nearly 15 years of dedicated collaboration to reduce the threat of piracy in the Indian Ocean. Through a combination of military, political, civil society and shipping industry efforts over the years, operators and seafarers are now able to operate with increased confidence in these waters," the groups said in their joint statement to the IMO. The designation of the region as a high-risk area began in 2010 near the peak of attacks on ships near the Horn of Africa. Two years earlier, the Council of the European Union adopted an action plan based on UN resolutions to establish the EU's executive maritime military operation for Somalia.

Known as Operation ATALANTA, the mission was to deter, prevent and suppress acts of piracy and armed robbery off the Somali coast. At the height of Somali piracy in January 2011, the EU Naval Force - Somalia reports that 736 hostages and 32 vessels were being held by pirates. The combined efforts contributed to a reduction in activity, so that two years later they could report no successful hijackings of a commercial vessel, and the last confirmed attack on a vessel occurred in 2018. EU NavFor reported chasing away a small craft in 2019, but Iran has continued to report that its navy has intervened in recent attacks. The EU mission was extended in 2020 to continue patrolling the waters and in particular to protect World Food Programme commercial vessels and others that may be vulnerable to attack. The EU NavFor mandate is currently scheduled to end on 31 December 2022. The removal of the HRA reflects a significant improvement in the piracy situation in the region, the organisations said. A year ago, they reduced the size of the designated region, but said today that the end of the designation would not come until the end of the year, allowing charterers, shipowners and operators time to adjust to the changed piracy threat. The groups continue to warn, however, that threat and risk assessments should still be carried out and ships are still encouraged to report to the UKMTO and register with the Maritime Security Centre for the Horn of Africa in the voluntary reporting area administered by the UKMTO. At the end of 2021, the UN Security Council began efforts to curtail and end international programmes in the region. By March 2022, however, the EU has expressed concern about ending the programme while political unrest remains in Somalia.

Source: <https://www.maritime-executive.com/article/indian-ocean-high-risk-designation-to-be-withdrawn-at-end-of-2022>

Real-life incident: offshore supply ship collides twice in 45 minutes

A Coast Guard buoy tug was working on a restricted waterway to service buoys that had been moved or lost due to a recent hurricane. The crew on the command consisted of two officers and the commanding officer, among others. It was broad daylight and visibility was good. The tug, showing daylight signals for a ship with limited maneuverability, was working near the edge of the fairway with the ebb current towards the stern.

An offshore supply vessel (OSS) left the berth upstream of the buoys and departed. At this time, the tug crew had secured a large buoy on deck; the crew was chaining while a command officer used the DP system to check anchor positioning. As they approached, the OSS skipper contacted the tug via VHF to request a "one whistle" passing arrangement; i.e. the OSS vessel would overtake (pass) the tug on the starboard side - out of the channel. The request was unusual, but the tug's command team assumed that the OSS vessel's command team knew what they were doing and did not ask.

On board the OSS, the skipper assumed - without consulting his Electronic Chart Display and Information System (ECDIS) - that the buoy (and ship) were "off station" and that there was sufficient depth to starboard. At 15.42, the OSS vessel made a slight course alteration to starboard, preparing to pass the buoys on the starboard side. By this time, the OSS vessel had approximately 13 knots. As the OSS approached the buoy, its depth sounder

reading dropped rapidly, so the skipper gave up trying to pass the starboard buoy. Now faced with the imminent danger of collision, he then reversed the OSS's engines and used the bow thruster and rudder to turn to port to try to avoid hitting the buoy. A safety officer on the buoy deck radioed in the impending collision. The master made a ship-wide announcement to prepare the crew for the collision, while the commanding officer sounded five short blasts on the ship's whistle. At 1544, the bow of the OSS collided with the stationary buoy stern while at 6 knots. The OSS vessel then pivoted and slid to starboard side and came to rest on the mud banks to starboard of the buoy. Approximately 45 minutes later, with the buoy still in the same position, the OSS vessel attempted to maneuver around the buoy's stern, but the ebb current put the OSS vessel on the Coast Guard stationary vessel. Recognizing that a second collision was imminent, the buoy tender's master made another ship-wide announcement, warning the crew to brace for impact. The starboard bow of the offshore supply vessel struck the starboard side of the buoy tender maintenance vessel.

Source: <https://www.marineinsight.com/case-studies/real-life-incident-offshore-supply-vessel-collides-twice-in-45-minutes/>